

Reporting White Collar Crime November 2008

Definition

The Federal Bureau of Investigation (FBI) defines embezzlement as the "misappropriation or misapplication of money or property entrusted to one's care, custody or control". The National White Collar Crime Center has this to say about embezzlement, "What distinguishes embezzlement from other types of theft is the violation of financial trust between the owner of the money or property and the offender."

Historically, embezzlement has been underreported. Traditionally, organizations have not wanted the public stigma of being known as an "easy target" or a company that harbored embezzlers and other types of dishonest employees. Most often, matters were handled internally, if they were handled at all. Some organizations have viewed theft as a cost of doing business. In recent years, companies have been coming forward to report cases of embezzlement by employees who are causing them significant losses. It is estimated that today, over 40 percent of employees caught stealing are referred for prosecution.

Impact of Technology

The widespread explosion of technology has had a subsequent impact on the dramatic increase in costs associated with embezzlement and employee theft. It is estimated that U.S. organizations lose 7% of their annual revenues to fraud. Small businesses are especially vulnerable to fraud. The median loss suffered by organizations with fewer than 100 employees was \$200,000 (2008 Report to the Nation on Occupational Fraud and Abuse. Copyright 2008 by the Association of Certified Fraud Examiners, Inc.).

Our Response

The St. Paul Police Department Fraud and Forgery Unit has taken steps to assist you with reporting and preparing an embezzlement case for submission to the Ramsey County Attorney's Office for prosecution. Embezzlements are charged under Minnesota State Statute 609.52 which pertains to theft. We have designed this information to offer you some guidelines in the organized, uniform presentation of embezzlement evidence. In presenting evidence in the format we have outlined, we are better able to assist you in obtaining the expedient and satisfactory outcome which you seek.

Statute of Limitations

The Ramsey County Attorney's Office will accept evidence for prosecution which covers activity occurring within the past three years. Evidence prior to the time span will not be considered for charging. In general, charges for a six-month period will be aggregated, resulting in multiple counts of theft (by swindle).

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Presentation of Evidence

All embezzlement evidence you submit to us will be photocopied multiple times by the St. Paul Police Department and the Ramsey County Attorney's Office. It is requested that you submit evidence in a manner that will allow us to easily photocopy the documents. Some suggestions are three-hole punch, or "bull dog" clips. We prefer that you not present evidence in a bound manner for the reasons stated previously.

Types of Losses

Please create a numbered list, classifying the types of losses which occurred to your company. The following is an example of possible types of losses:

- Checks written to the suspect for cash. These checks never entered into the accounting records. When
 checks cleared the bank, they were destroyed. The unauthorized disbursements were covered up by not
 recording all deposits into the accounting records. The bank reconciliations would then be falsified to
 make it appear that the bank accounts were reconciled and in balance.
- 2. Checks were written payable to Cash and deposited into the suspect's personal account.
- 3. Checks were written to the suspect as payroll advances but were never withheld from subsequent payroll checks.
- 4. Checks were written to the suspect for reimbursement of expenses for one amount. Then, after they were signed, the checks were changed to a larger amount.
- 5. Checks were listed in the accounting records as paid to a vendor,
- Checks were to replace a check that did not need to be replaced or checks represented a double paying of expenses.
- 7. Checks lack supporting documentation to justify as a valid expense.
- 8. Cash advances on company credit card not repaid.

Creating a Spread Sheet

We request that a spread sheet be prepared which lists the individual incidents of embezzlement. The spread sheet is best done in a horizontal manner with each incident assigned a number listed along the margin (a sample spread sheet is attached, page 4). The columns should include:

Item Number

Date Clearing Bank

Check Number

Payee

Amount of Check*

Proper amount on Disbursement Register'

Net Questionable amount*

Loss type (from the numbered list you have already created as explained above)

Comments

*please total these columns

Tab-Indexing Documents

Once you have created a spread sheet, each specific incident of theft will have been assigned an item number by you. Documents pertaining to this incident should be presented in a tab-indexed manner so they can be easily referred to by our office and that of the Ramsey County Attorney.

Possible documents of evidentiary nature are: Copies of check involved (we need to have a copy of both the front and the back of the questioned check.), copy of company bank statement showing the questioned withdrawal, any supporting accounting records for the questioned item.

What We Do

Upon receipt of the items outlined above, we will begin our investigation. You will be given a complaint number corresponding to this investigation. Using the front and back copies of checks you have provided to us, we will be able to create a paper trail, which most often shows deposits of these funds into the suspect's personal bank account. We will subpoen the suspect's bank records if this is the case. We will use the numbers you have created for your incidents of theft to present this evidence which will support your claim of embezzlement, if we find that the elements for theft have been met. The Ramsey County Attorney's Office will either issue a summons (requesting the suspect to appear in court), or a warrant for the suspect's arrest, depending on the circumstances of this case.

Questions

If you have any questions that have not been answered to your satisfaction by this information, you may call the Fraud and Forgery Unit at (651) 266-5734 and ask to speak with a Fraud and Forgery Investigator.

SAMPLE

Name of Company Agreed-Upon Procedures List of Questionable Items

Item Number	Date Clearing Bank	Check Number	Payee	Amount of Check	Proper Amount on Disbursement Register	Net Questionable Amount	Loss Type	Comments
1	7/31/1994	24509	Cash	\$ 100.00	-	\$ 100.00	2	deposited into personal account
2	8/30/1994	24554	Cash	110.00	- 6/0/0/0	110.00	2	deposited into personal account
3	9/31/1994	24566	Cash	90.00		90.00	2	deposited into personal account
4	9/20/1994	24582	Cash	75.00		75.00	2	deposited into personal account
5	1/18/1995	24809	Cash	25.00		25.00	2	deposited into personal account
6	3/28/1995	24957	Cash	896.00		896.00		listed as void on register
7	3/28/1995	24861	Cash	110.00		110.00	2	deposited into personal account
8	6/02/1995	25069	Cash	800.00		800.00	1	not on register
9	8/22/1995	25201	Payee	1,000.00	\$ 500.00	500.00	3	advance on payroll, not repaid
10	9/01/1995	25220	Payee	2,800.00	1,300.00	1,500.00	3	advance on payroll, \$1300 repaid
11	10/31/1995	25339	Payee	3,654.81		3,654.81	5	listed as ch#25338 to Cybertronics for \$3654.81
12	11/16/1995	25376	Cash	95.00		95.00	mainimizuumez	not on register
13	11/20/1995	25390	Payee	1,129.68	29.68	1,100.00	4 7 7	general expenses
14	12/13/1995	25428	Payee	950.00	50.00	900.00	4	casual labor directory
15	12/25/1995	25436	Cash	2,420.00	A PULI	2,420.00	2	promotion
16	12/29/1995	25451	Payee	545.00	45.00	500.00	4	advertising promotion
17	01/25/1996	25518	Payee	3,504.67	CT DA	3,504.67	5	circulation promo-payee changed
18	03/20/1966	25613	Payee	936.78	51. PA	936.78	6	was to replace payroll ch#9601 w/c cleared bank
19	03/29/1996	25630	Payee	634.66	59.85	574.81	4	internet Jan-Feb-Mar
20	04/16/1996	25662	Payee	1,500.00	500.00	1,000.00	3	draw against 4/19/96 payrolll,\$500 repaid
21	08/08/1996	25803	Payee	1,500.00	TTT	1,500.00	3	advance on payroll, never repaid
22	09/26/1996	25876	Cash	1,850.00		1,850.00	11	not on register
23	10/31/1966	25923	Payee	2,673.01	67.01	2,606.00	4	AOL internet
24	12/20/1996	25971	Cash	1,915.00		1,915.00	20.00	Christmas promotions
25	01/16/1997	26022	Payee	588.45	88.45	500.00	4	internet
26	01/31/1997	26047	Payee	2,216.89	26.89	2,190.00	4	Dec AOL service
27	02/28/1997	26105	Payee	2,193.95	19.95	2,174.00	4	AOL January
28	04/02/1997	26151	Payee	1,159.85	59.85	1,100.00	4	AOL Feb-Mar-Apr